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SUBJECT: RWE SEEKING POLITICAL SUPPORT FOR NABUCCO PROJECT

REF: USEU 1238

¶11. (SBU) In a September 26 meeting with CG, RWE Chief Commercial Officer Stefan Judisch and Nabucco expert Jeremy Ellis made a strong plea for USG support in encouraging the German government to give up its "fence-sitting attitude" and to take over the role of "moderator" in lining up political support for the Nabucco pipeline project. Due to its heavy involvement in the North Stream project, they asserted, Berlin would be a "credible arbitrator" in helping overcome Russian opposition to Nabucco. Thus far, however, Berlin had shown "no leadership" in this respect, although Economics Minister Glos said he fully supports it. Foreign Minister Steinmeier, as former Chancellor Schroeder's closest aide, was clearly on the Russian side, they said, while Chancellor Merkel has been "too diplomatic" to take a stance, at least at the present time. The upcoming 2009 Bundestag election campaign, in which the energy supply issue would play a role, would complicate things further, they stated.

¶12. (SBU) Judisch spoke of a "compelling commercial rationale" for the project, but stressed that it needs a "political framework." If RWE and its partners were unable to mobilize the necessary political support within the next 6 months, "the project would be dead." The Russia-Georgia conflict had "forced the issue" and made clear that "political leadership" was absolutely necessary to get the project off the ground. Before Georgia, RWE and its partners could have "muddled through," but this was no longer possible, our interlocutors stated. The conflict in Georgia had "increased the probability for the project's failure," but it had at least "awakened the politicians" and driven home the message.

¶13. (SBU) Negotiations with Turkey concerning its supply concerns were going well; the next few weeks could bring considerable movement, and an intergovernmental agreement between the Nabucco countries, the EU and Turkey could be achieved by the end of the year, they maintained. The region easily has enough natural gas reserves to make Nabucco profitable, but the pipeline faces supply challenges as there must be a second supplier in addition to Azerbaijan to make the project feasible. If there were no problem with Iran, the project would go forward immediately. Supply from Iraq was a matter of timing and risk, he stated.

¶14. (SBU) Referring to USEU Special Envoy for EU Affairs and Eurasian Energy Gray as an "important ally," Judisch and Ellis (who had just returned from a meeting with him the previous day), expressed strong appreciation for USG interest and support in this matter. In ongoing negotiations with Turkey, Special Envoy Gray's influence had been very helpful. In particular, any U.S. support in getting the German government to take over a leadership role for the Nabucco project would be highly

appreciated, Judisch said, adding that he is often in Berlin and would welcome the opportunity to meet with Ambassador Timken or other Embassy representatives on this matter.

BOYSE